

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF BOARD OF DIRECTORS **ACCESS TO CAPITAL SUBCOMMITTEE**

PUBLIC SESSION

JULY 21, 2011

The Access to Capital Subcommittee of the Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Thursday, July 21, 2011, in Public Session, beginning at 8:30 a.m., at the offices of the Rhode Island Economic Development Corporation located at 315 Iron Horse Way, Providence, Rhode Island, pursuant to notice of the meeting to all subcommittee members, and public notice of the meeting, a copy of which is attached hereto, as required by the By-Laws of the Corporation and applicable Rhode Island law.

The following individuals were present and participated throughout the meeting: Subcommittee Chairperson Ms. Cheryl Snead, Mr. Stephen Lane, Mr. J.L. Singleton, Executive Director Keith Stokes, Mr. Earl Queenan, Mr. Tim Cole, Mr. Bill Parsons, Mr. Steve Noack, Mr. Sean Esten, Mr. Chris Cannata, Mr. Michael Blazek, Ms. Judy Chong, Mr. Peter Dorsey, Mr. Anthony Rust, Mr. Richard DiRienzo, Ms. Alexandra Pezzello and Ms. Stacey Farrell.

Ms. Snead opened the meeting at 8:33 a.m. She welcomed and introduced Mr. Richard DiRienzo, CPA and managing partner of LGC&D, as a new member of the subcommittee. Mr. Queenan then provided the members of the subcommittee an update on the SSBCI application. He indicated that the application was submitted to the U.S. Treasury in a timely manner and, since then, the Corporation has responded to questions from the Treasury. He stated that they anticipate receiving funds by the end of September. Mr. Queenan reviewed for the members of the subcommittee that the SSBCI application is for approximately \$13 million in funds that the Corporation would distribute to Slater (\$9 million), Betaspring (\$2 million) and SBLF (\$1.7 million), with the remainder to be used toward the administration of those funds. He further explained that the funds would likely be disbursed to these organizations in three tranches and that the next step is to get MOUs in place between these organizations and the Corporation.

Mr. Queenan then discussed the status of the Job Creation Guaranty Program ("JCGP"). He indicated that, as of the date of the meeting, there were \$65 million in requested funds, with only \$45 million in remaining guaranty authority. Mr. Queenan stated that a short fall of many of the applications is that they do not have bank commitments. He explained that the JCGP Rules and Regulations are scheduled to come before the Board of Directors at its upcoming meeting. Mr. Queenan noted that once the Rules and Regulations are approved, then JCGP applications could be submitted to the Board for their approval. Ms. Chong explained that the marketing

materials for the access to capital programs will be updated and expanded upon to include the JCGP.

Mr. Queenan explained that only a few applications are close to ready for presentation to the Corporation Board in the coming months. Mr. Singleton questioned whether the timeline for the JCGP could result in missed opportunities in providing guarantees to certain companies. Mr. Queenan stated that it was a possibility, but Mr. Stokes noted the challenge in obtaining applications that meet the statutory requirements, such as meeting the wage requirements for the jobs created. Mr. Stokes stressed that the return on investments lies ultimately in the creation of jobs and he further emphasized the fiduciary responsibility of the Corporation to ensure the viability of the applicants. He further noted that some of the applicants lack equity, which can also cause delay. Mr. Stokes explained that after the 38 Studios deal, the trajectory of the program was changed, and that Corporation staff members have been communicating with original applicants in the interim.

Ms. Snead explained to the members of the subcommittee their role in the JCGP approval process. She stated that the Corporation's finance staff would provide information to the subcommittee and the subcommittee could then ask questions and address concerns pertaining to the applications. The subcommittee would then decide which applications should be presented to the Corporation Board for its consideration, which is required by statute. Members of the subcommittee discussed the need for caution in focusing too much on the number of jobs which the applicant claims it will create and stressed the need to instead be looking for good businesses, which will in turn create jobs. Mr. Noack noted that the bank participation and vetting will assist in this. It was also noted that guarantees could be reduced once companies reach certain cash flow benchmarks. Mr. Stokes noted that the marketing for the JCGP should be expanded and used as a tool for attraction of business to the State. Ms. Snead noted that metrics for vetting the applications were being developed and Mr. DiRienzo stressed the need for these in order to establish consistency in evaluating the applications.

Mr. Queenan provided the members of the subcommittee an update on the SBLF and explained that it had approved twelve deals in various industry sectors in the \$200,000-\$250,000 range over the past few months. He then provided the subcommittee a summary of the current JCGP applications, highlighting the number of in-state and out-of-state applicants, industry sectors, amounts requested and number of anticipated jobs created. Members of the subcommittee also requested information relating to the date the company was established and the amount of private capital raised for the next meeting. Mr. Stokes reminded the subcommittee that the JCGP was intended to focus on newer, entrepreneurial and early stage businesses, which would have difficulty obtaining the financing absent the Corporation's guaranty. He cautioned against using the JCGP only for larger, established companies.

Ms. Snead then initiated a conversation with respect to best practices in other states with respect to access to capital programs. Mr. Rust provided materials to the members of the subcommittee which outlined programs in Kansas, Connecticut and

Ohio. These programs are focused on seed, pre-seed and early stage financing, which Rhode Island is lacking. Mr. Rust explained that the Ohio program began in 2002 with a \$1.7 billion appropriation to be used to fund incubators for early stage, technology driven businesses. He explained that it has since been extended beyond its original ten year program through an additional \$700 million extension. Ms. Snead encouraged the subcommittee members to examine these programs in order to learn how to help fill the void within our own State and she explained that the subcommittee will continue to review these programs at its upcoming meetings. She noted that the goal is to ultimately provide the Corporation Board with ideas for a program in the State modeled after the programs existing in other states. Mr. Lane suggested that a program could potentially partner with local university alumnae who have expressed an interest in seed funding and spurring entrepreneurial growth in the State. Ms. Snead also suggested that a partnership with the Commodores should be explored.

Ms. Pezzello explained to the Board that if it wished to enter into a closed executive session to discuss certain Job Creation Guaranty Program applications, which contain confidential information, a motion to go into closed session would be in order. The motion would be pursuant to the Open Meetings Act, Rhode Island General Laws Section 42-46-4, in order to discuss prospective businesses or industries locating in the state of Rhode Island, under Section 42-46-5(a)(6).

Upon motion duly made by Mr. Dorsey and seconded by Mr. Lane, the following vote was adopted:

VOTED: That, pursuant to Rhode Island General Laws § 42-46-4, the Open Meetings Act, the Subcommittee close the public session of this meeting and commence a closed session to consider and possibly take action on such matters as permitted under § 42-46-5(a)(6) (prospective business or industry locating in the state of Rhode Island) of the Open Meetings Act.

Voting in favor of the foregoing were: Ms. Snead, Mr. Lane, Mr. Singleton, Mr. DiRienzo, Mr. Dorsey and Mr. Rust.

Voting against the foregoing were: None.

The public session was reconvened at 10:40 a.m.

Upon a motion duly made by Mr. Dorsey and seconded by Mr. Singleton, the following vote was adopted:

VOTED: That, pursuant to Rhode Island General Laws § 42-46-4, § 42-46-5 and § 42-46-7, the Open Meetings Act, the minutes of the closed session shall not be made available to the public, except as to the

portions of such minutes as the Subcommittee ratifies and reports in public session of this meeting.

Voting in favor of the foregoing were: Ms. Snead, Mr. Lane, Mr. Singleton, Mr. DiRienzo, Mr. Dorsey and Mr. Rust.

Voting against the foregoing were: None.

Ms. Snead informed the members of the subcommittee that a meeting would be needed prior to the August Board meeting to further discuss the JCGP applicants.

The meeting concluded at 10:44 a.m.

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